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Approved For Release 2003/05/27 : CIA-RDP84-00780R004000050045-6

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DD/S 71-3211

13 AUG 1971

MEMORANDUM FOR: Deputy Director for Intelligence
Deputy Director for Plans
Deputy Director for Science and Technology
Deputy Director for Support
General Counsel
Inspector General
Legislative Counsel
Director of National Estimates

SUBJECT : Control of Grade Escalation

1. The President has directed a reduction in average grade in employment under the General Schedule. Instructions are contained in OMB Bulletin No. 72-4 attached at Tab A.

2. Attached are Agency instructions for compliance (Tab B). Your full cooperation in this matter is essential.

SIGNED

Richard Helms
Director of Central Intelligence

Atts: As Stated

cc: D/PPB w/Atts
D/Pers w/Atts

DD/S:JWC:maq (12 Aug 71)

Rewritten: DCI:RH:maq (13 Aug 71)

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downgrading and
declassification

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

H/G

BULLETIN NO. 72-4

August 5, 1971

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Control of grade escalation in the General Schedule

1. Purpose. This Bulletin establishes a plan for controlling excessive grade escalation of employment under the General Schedule. These instructions supplement those in OMB Circular No. A-64, Revised, "Position Management Systems and Employment Ceilings," June 28, 1965.

2. Background. Over the years there has been continuing increase in the average grade of employees under the General Schedule, Government-wide. This upward trend has persisted in recent years so that the average grade level for classified employees has risen from 7.4 in 1968 to 7.9 in 1970. Between 1969 and 1970 the total number of employees declined by nearly 12,000, but the number in grades GS-11 through GS-15 increased by 14,600. Preliminary estimates indicate that the 1971 data will also show a significant increase over 1970 in the average grade.

At 1971 salary rates each one-tenth increase in the average grade of the General Schedule adds \$160 million to the basic payroll. It also results in increased costs of Federal Employees Group Life Insurance, as well as additional past service liability in the Civil Service Retirement System.

During the past three decades there has been a gradual increase in the proportion of professional, technical and managerial employees in the Nation's labor force. The same factors that produced this trend in the total labor force also have affected the grade distribution of the Federal workforce. It can be expected that technological change, for example, will result in some grade escalation in the Government; however, changes in the grade distribution of the General Schedule since 1968 have greatly exceeded normal trends.

There is considerable evidence that many Federal agencies have failed to exercise adequate controls over their staffing patterns for higher level positions. In many agencies the

Position

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number of employees in grades GS-7 and GS-9 has declined. In view of the ample supply of new college graduates with bachelor and masters degrees and the fact that Federal salary rates are now competitive with the private sector, increases in the population of these grades would have been expected.

3. Coverage. This Bulletin applies to all executive agencies having employees paid under the General Schedule or whose salary rates are set administratively in accord with the General Schedule.

4. Objective. The objective of this plan is to reduce, Government-wide, the average grade of the General Schedule by at least --

1/10 by the end of FY 1972
2/10 by the end of FY 1973.

5. Reduction plans. In order to achieve the overall objective stated above, each agency head is asked to prepare a plan to effect changes in the grade distribution of his employees as follows:

a. If the average grade of the agency has increased by 0.4 or more between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.15 in FY 1972 and an additional 0.15 in FY 1973.

b. If the average grade of the agency has increased less than 0.4 between June 30, 1968, and June 30, 1971, the agency plan should provide for a reduction from its June 30, 1971 average of 0.1 in FY 1972 and an additional 0.1 in FY 1973.

c. If the average grade of the agency has remained level or decreased between June 30, 1968, and June 30, 1971, the agency plan should provide for a staffing pattern which will not exceed its June 30, 1971 average grade during the next two fiscal years.

Agency plans for achieving the required reduction in average grade will be submitted to the Director of the Office of Management and Budget on or before September 15, 1971, in the format shown in attachments A and B. Plans will be reviewed and either approved or revised in connection with the development of the budget for FY 1973.

6. Guidance. It is intended that each agency shall have wide flexibility in developing a plan which will achieve the stated objective. Responsibility for development and implementation of the plan should be assigned to an appropriate officer who will also serve as liaison with the Office of Management and Budget.

Since the plan requires a specified reduction in average grade by the end of the current fiscal year (i.e., June 30, 1972) it would be expedient to consider the immediate imposition of some restrictions on the filling of vacancies, especially those occurring in grades GS-11 through GS-15.

Specific measures which agencies may wish to consider, consistent with the provisions of chapter 51 of title 5 of U.S. Code, include:

a. Careful review of all programs to determine which low priority activities can be reduced or eliminated.

b. Review of the organizational structure of each unit to determine if existing staffing patterns are still appropriate in view of program changes.

c. Review of supervisory levels, with particular attention to the extent of "layering" and the need for deputies or assistants.

d. Evaluation of each position that becomes vacant to determine whether it could be eliminated or restructured at a lower grade.

e. Planning of the staffing of new programs in a manner that will tend to lower the average grade.

f. Exploration of feasibility of using technicians where professional staff is not being utilized at their full skill level.

g. Consideration of the opportunity of eliminating certain positions through increases in productivity.

h. Limiting of promotions above the journeyman level to those necessary to fill vacancies in positions of greater responsibility.

i. Reorganization of work so that it can be accomplished with lower grade employees.

j. Strengthening of position management system as prescribed by OMB Circular A-64.

7. Reports. Agencies will prepare semi-annual reports showing the number of full-time employees in each grade of the General Schedule and the grade average (computed to four decimal places) for the agency as of June 30 and December 31 of each year. Grade averages will be computed by (a) multiplying each grade number by the number of full-time employees in the grade, (b) totaling the results so obtained, and (c) dividing the total by the number of positions involved.

Data reported should be identical with that reported to Civil Service Commission in the Annual Report of Salary and Wage Distribution of Federal Civilian Employees.

The first report for June 30, 1971, will be submitted to the Director, Office of Management and Budget by August 23, 1971. Subsequent reports will be submitted within 45 calendar days after the date of reference.

8. Budget Guidance. Later instructions will provide for the identification and use of savings resulting from the reductions in grade averages pursuant to this Bulletin in the absorption of pay raise costs in FY 1972.

9. Effective date. These instructions are effective upon issuance of this Bulletin.

10. Inquiries. Inquiries should be addressed to Office of Management and Budget, phone 395-3894 (Code 103 - Ext. 3894).

GEORGE P. SHULTZ
DIRECTOR

Attachments

ATTACHMENT A
Bulletin No. 72-4

Department of Government
Plan for Reduction of Average Grade

Grade	Number of Full-time Employees			Report estimated data for this date
	June 30, 1971 Actual	June 30, 1972 Estimated	June 30, 1973 Estimated	
GS-1	103	113		
2	410	456		
3	1,188	1,332		
4	1,695	1,674		
5	2,144	1,949		
6	1,298	1,208		
7	1,830	2,250		
8	826	780		
9	3,089	3,070		
10	471	412		
11	2,221	2,254		
12	2,543	2,449		
13	2,353	2,333		
14	1,708	1,639		
15	1,223	1,133		
16	224	224		
17	84	84		
18	30	30		
Total	23,440	23,440		
Average grade	9.1744	9.0744		
Reduction	xxx	- 0.1000		

ATTACHMENT B
Bulletin No. 72-4

Department of Government

Description of Plan

A. Organizational changes (examples of subjects to be addressed).

1. Programs or activities which can be reduced or eliminated.
2. Organizational units for which the staffing pattern can be changed.
3. Evaluation of each position that becomes vacant to determine whether it could be eliminated or restructured at a lower grade.
4. Positions to be eliminated through increased productivity.
5. Plans for increasing number of positions at grades below the present average grade.

B. Implementation^{1/} (examples of actions that might be taken).

1. Restrictions on the filling of vacancies.
2. Fill vacated positions by interagency transfers rather than new hires.
3. Staff new or expanding activities so as to reduce agency-wide average grade.
4. Identify employees who would qualify for involuntary retirement if positions were abolished.
5. Lower entry levels for selected occupations.

^{1/} Indicate which actions have already been put into effect.

Name and phone number of responsible officer to whom questions should be addressed.

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INSTRUCTIONS FOR CONTROL OF GRADE ESCALATION IN THE GENERAL SCHEDULE

I Background

OMB Bulletin No. 72-4 requires a decrease in the average grade of on-duty employees in an effort to reverse the grade escalation in government. It further states that although there has been an overall decrease of 12,000 employees between 1969 and 1970 the number of employees at GS-11 and above has increased by 14,600. The Agency has decreased in overall GS employees by from 1968 to 1971, but has increased in GS-11 and above by

II Requirement

The Agency must effect a decrease in the average grade of on-duty employees one tenth of a grade in each of the fiscal years 1972 and 1973.

III Responsibilities

The Director of the Office of Planning, Programming and Budgeting will report to the OMB the Agency on-duty figures for 30 June 1971 and the computed average grade as of that date. This report will be provided by 23 August 1971 as prescribed by the Circular.

Agency plans for achieving the required reduction in average grade will be provided to OMB by the Executive Director-Comptroller by 15 September 1971, as prescribed by the Circular.

Each Deputy Director and independent office head will be responsible for developing a plan by 30 June 1972 to accomplish the required adjustment of one tenth of a grade among his career services. Each plan should be

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patterned realistically and procedures developed to achieve the objectives. These plans will be submitted to the Executive Director-Comptroller not later than 3 September for approval and incorporation into the Agency-wide plan. Format A (attached) should be used to report the statistical elements of the plan.

The Director of Personnel will monitor throughout the year all actions affecting the average grade of employees in Career Services and check the validity of and compliance with the plan. Any adverse trends will be reported to the Deputy Director concerned. The Director of Personnel will not process any actions believed to jeopardize achievement of the required reduction in average grade and will report regularly to the Executive Director-Comptroller on progress.

IV Procedures

A. Each Career Service Head will submit a Career Service Personnel Plan for fiscal year 1972 as prescribed above. Such plan will consist of the following:

1. Number of people by grade as of 30 June 1971. This will provide average grade as of this date (Office of Personnel will provide).
2. Less: number of people expected to separate by grade. (This includes resignations, retirements and changes of career service designations. Office of Personnel will be available for consultation and aid.)
3. Plus: number of planned EOD's and conversions to the Career Service by grade.
4. Plus and minus: planned promotions by grade (each promotion is a gain to the grade promoted as well as a loss to the grade from which promoted).

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5. Total planned Career Service by grades. This will provide estimated average grade as of 30 June 1972. (Must be one tenth of a grade less than in subparagraph 1 above.)

B. All pending promotions will be deferred until an Agency Career Service Plan for FY 1972 is approved by the Director.

V Items for Career Service Consideration

A. The key variables that affect the average grade of employees are separations, accessions and promotions. Experience indicates that the combined accession and separation actions tend to lessen the average grade but not usually to a sufficient degree to offset the increase created by promotions. The attrition effect is maximized by hiring at lower grades and resigning or retiring employees in higher grades. The number of promotions that can be granted will be controlled by the attrition grade decrease and the planned reduction goal.

B. All positions GS-11 and above that become vacant should be carefully reviewed as to need before reencumbering.

C. The organizational structure of each unit should be reviewed to determine if existing staffing patterns are still appropriate in view of program changes.

D. Attention should be given to supervisory levels, with particular attention to the extent of "layering" and the need for Deputies or Assistants.

E. Each position that becomes vacant should be evaluated to determine whether it could be eliminated or restructured at a lower grade.

F. Staffing of new programs should be planned in a manner that will tend to lower the average grade.

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G. The feasibility of using technicians where professional staff is not being utilized at their full skill level should be explored.

H. Promotions above the journeyman level should be limited to those necessary to fill vacancies in positions of greater responsibility.

I. Work should be reorganized so that it can be accomplished with lower grade employees.

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INSTRUCTIONS FOR COMPLETING THE "CAREER SERVICE
PERSONNEL PLAN" FOR FISCAL YEAR 1972

Below are listed the instructions by item number for the completion of the CSPP:

- Title and Date: These are filled in prior to submission to the career services.
1. ON DUTY: The on duty strength of the subject career service as of the beginning of the time period i.e., 30 June 1971. This is completed prior to submission to the career services.
 2. SEPARATIONS: A combination of all factors which will reduce the on duty strength count of GS Personnel in the career service during Fiscal Year 1972.
 - 2a. Loss to Agency: A permanent loss from strength not only to the career service but also to the Agency.
 - 2b. Reassignments Out: A loss from the career service but a gain to another Agency career service.
Example: An SP Careerist converting to the S Career Service.
 - 2c. Placed on LWOP: A temporary loss to the career service strength for more than thirty days.
 - 2d. Other: A loss which cannot be covered above. Example: A GS-15 employee converting to the SPS pay scale. Specify the loss if possible.
 3. ACCESSIONS: A combination of all factors which will increase the on duty strength of the subject career service.
 - 3a. EOD's: Gains directly into the career service from outside of the Agency. Does not include movements into the career service from TAS or CTP.
 - 3b. Reassignments In: Gains from another career service such as UD and SJ conversions.
 - 3c. Return from LWOP: Self explanatory.
 - 3d. Other: A gain which cannot be covered above. Example: Conversion of a W, S, or L scheduled employee to the GS pay scale.
 4. PROMOTIONS (Net Effect): The net effect anticipated promotions will have on the GS grade spread.
Hence, a promotion from GS-09 to GS-10 will cause a net effect of +1 in the GS-10 column and a -1 in the GS-09 column.
 - 4a. Promotions to Grade: The new grade of the promoted employees. This is to be treated as the positive number.
 - 4b. Promotions from Grade: The old grade of the promoted employees. This is to be treated as the negative number.
 5. ON DUTY: The anticipated on duty strength as of the end of the fiscal year. The average grade is to be filled in prior to submission and it will be .1 less than the average grade shown at the beginning of the fiscal year.

GROUP 1
EXCLUDED FROM AUTOMATIC DOWNGRADING
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